

**PERTH AND KINROSS COUNCIL****Audit Committee****23 November 2016****INTERNAL AUDIT UPDATE****Report by the Chief Internal Auditor****PURPOSE OF REPORT**

This report presents a summary of Internal Audit's work against the 2016/17 annual plan. It also summarises the outcome of consultancy assignments and additional work undertaken by Internal Audit, where appropriate.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor reports periodically to the Audit Committee on internal audit activity and on performance relative to the approved plan.
- 1.2 Work has continued on assignments included within the Internal Audit Plan for 2016/17.
- 1.3 Since April 2016, Internal Audit has also been involved with six areas of unplanned activity. Of these assignments, five remain outstanding and one has been concluded without any further action required. Internal Audit's unplanned workload is within the resources allocated as part of the Internal Audit Planning process and there are currently no implications for this additional work on the completion of the Internal Audit Plan for 2016/17. However, this work may impact on the ability to complete work in accordance with the original schedule. The Audit Committee will be informed if there is any change to this situation.
- 1.4 Internal Audit has been involved with facilitating the National Fraud Initiative process, ensuring that the relevant fair processing notices are in place and the datasets have been uploaded.
- 1.5 In addition, Internal Audit has undertaken verification work supporting the Superconnected Cities Grant Claim (see Appendix A – reference 16-31). A report was considered by Audit Committee in February 2016 (Report 16/38 refers) which highlighted issues which have continued into last year's grant claim which has been subject to audit. However, Internal Audit are able to confirm on balance that the grant had been used for permitted expenditure.
- 1.6 Appendix A details those assignments where work has been completed since the last report to Audit Committee. Where appropriate, Internal Audit Reports for these assignments will be presented to the Audit Committee.

- 1.7 Appendix B shows a summary of each audit previously approved as part of the 2016/17 plan, along with the stage of progress for each assignment. The indicative date for the Audit Committee to consider the report is recorded. The achievement of these scheduled dates is dependent upon the level of unplanned investigation work and engagement with Services.
- 1.8 Appendix C details areas of work which are in addition to the approved Internal Audit Plan for 2016/17 arising from either Service requests for assistance or from investigatory work.

## **2. PROPOSED CHANGE TO THE AUDIT PLAN**

- 2.1 The Internal Audit Plan for 2016/17 included an allocation of 5 days for following up the consultancy work undertaken in 2015/16 on the Named Person Service. Due to the delay in implementation of this at a national level, it is proposed to defer this assignment into 2017/18. It is not proposed to reallocate this small resource at present to a new assignment.

## **3. OUTCOMES FROM CONSULTANCY WORK**

- 3.1 Within Appendix A there are a number of assignments which were identified as 'consultancy' within the Internal Audit Plan (report 16/156 refers).
- 3.2 Following approval from the Audit Committee in June 2016 of a revised reporting process for consultancy assignment (report 16/306 refers), this report will provide a summary of the completed work with regard to such assignments, where appropriate.
- 3.3 Consultancy assignments ongoing at present cover the subject of the European Social Fund and Universal Credit.

## **4. OUTCOMES FROM ADDITIONAL WORK**

- 4.1 Additional work has been undertaken with regard to controls in place for overtime and standby within the Housing Repairs and Improvements Service (see Appendix A, reference 16-42). As a result of work undertaken by Internal Audit and the Service, supported by Human Resources, a number of improvements in the control environment are being progressed. A suite of procedures is being established and documented to ensure that all employees are aware of their responsibilities with regard to the management of the Housing Repairs and Improvements Service, including arrangements for the claiming and authorisation of additional payments. Internal Audit proposes to include a review of this area within the Internal Audit Plan for 2017/18, based on progress within the Service.

## 5. CONCLUSION AND RECOMMENDATIONS

- 5.1 This report presents a summary of Internal Audit's work against the 2016/17 annual plan, along with the outcomes from consultancy and additional work undertaken by Internal Audit. It is currently anticipated that the 2016/17 Internal Audit Plan will be completed within the year.
- 5.2 It is recommended that the Committee:
- 5.2.1 notes the progress of work against the plan for 2016/17;
- 5.2.2 approves the proposal to defer the Named Person Service Follow Up assignment into 2017/18;
- 5.2.3 notes the outcomes from consultancy work completed since the last Audit Committee; and
- 5.2.4 notes the outcomes from additional work.

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## ANNEX

### 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	None
Strategic Plan	Yes
<b>Resource Implications</b>	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
<b>Assessments</b>	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
<b>Consultation</b>	
Internal	Yes
External	None
<b>Communication</b>	
Communications Plan	None

#### 1. Strategic Implications

##### 1.1 Corporate Plan

- 1.1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

- 1.1.2 This report relates to all of these objectives.

#### 2. Assessments

##### 2.1 Equality Impact Assessment

- 2.1.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

2.1.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

## 2.2 Risk

2.2.1 The risks are associated with the level of assurance provided on the control environment in the event that Internal Audit's planned work is not completed on time.

## 3. **Consultation**

### 3.1 Internal

3.1.1 The Chief Executive and Head of Finance have been consulted in the preparation of this report.

## 2. **BACKGROUND PAPERS**

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

## 3. **APPENDICES**

Appendix A – Audit Activity Completed Since The Last Report To Audit Committee

Appendix B – Progress With Assignments Approved In The Internal Audit Plan for 2016/17

Appendix C – Progress With Assignments Not Included In The Internal Audit Plan for 2016/17



**INTERNAL AUDIT UPDATE**

**Audit Activity Completed Since The Last Report To Audit Committee**

<b>Audit No.</b>	<b>Audit Title</b>	<b>Service</b>
16-03	Sales Ledger	Corporate
16-06 (B)	Financial Management of All-Through Schools – St. John's RC Academy	Education & Children's Services
16-21	Property Maintenance	The Environment Service
16-31	Superconnected Cities Grant Claim *	The Environment Service
16-42	Housing Repairs and Improvements Service *	Housing & Community Care

\* No report required for this assignment





## Appendix B

### Progress With Assignments Approved In The Internal Audit Plan for 2016/17 as at August 2016

<b>Audit No.</b>	<b>Audit Title</b>	<b>Original Anticipated Audit Committee</b>	<b>Assignment brief approved</b>	<b>Factual accuracy confirmed</b>	<b>Draft Report issued</b>	<b>Final Report issued</b>	<b>Audit Committee Date ^</b>
16-01	Debt Recovery & Write Off	Sep 2016	23 August 2016				February 2017
16-02	Credit Cards	Sep 2016	6 Apr 2016	19 May 2016	21 July 2016	16 September 2016	September 2016
16-03	Sales Ledger	Sep 2016	17 August 2016				November 2016
16-04	SWIFT	Feb 2017					February 2017
16-05	Information Sharing	Sep 2016	20 Apr 2016	25 May 2016	7 June 2016	24 August 2016	September 2016
16-06	Financial Management of All-Through Schools: (a) Fairview School (b) St. John's Academy	Sep 2016	26 May 2016	17 August 2016	17 August 2016	(a) 24 August 2016 (b) November 2016	(a) September 2016 (b) November 2016
16-07	Financial Assessment and Charging	Sep 2016	23 June 2016	14 July 2016	27 July 2016	26 August 2017	September 2016
16-08	Adult Protection	Sep 2016	12 Apr 2016	7 June 2016	9 June 2016	19 August 2016	September 2016
16-09	Housing Options	Nov 2016	10 May 2016	9 August 2016	9 August 2016	24 August 2016	September 2016

16-10	Charging for Services	Feb 2017							February 2017
16-11	Management of Relationship with Horsecross	Nov 2016							February 2017
16-12	Procurement	Nov 2016							March 2017
16-13	Performance & Capacity Management	Sep 2016							February 2017
16-14	Named Person Follow Up	Feb 2017							Proposed for removal
16-15	Fuel Management	Jun 2016	22 Apr 2016	19 May 2016	19 May 2016	31 May 2017			<b>June 2016</b>
16-16	Transformation	Feb 2017							March 2017
16-17	Pupil Support	Nov 2016							February 2017
16-18	Housing Rents	Feb 2017	19 September 2016						February 2017
16-19	Rent Arrears	Feb 2017							February 2017
16-20	LEADER	Feb 2017							February 2017
16-21	Property Maintenance	Nov 2016	10 August 2016	9 September 2016	13 September 2016	31 October 2016			November 2016
16-22	Roads Maintenance Partnership	Feb 2017							March 2017
16-23	Personalisation	Feb 2017							March 2017
16-24	Commissioned Services: Care At Home	Mar 2017							March 2017
16-25	Parking Services	Mar 2017							March 2017

16-26	Health & Social Care Partnership – Integrated Joint Board	Mar 2017						March 2017
16-27	Events and Festivals	Mar 2017						March 2017
16-28	BSOG April - September 2016 Grant Claim	Not Applicable	25 May 2016	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
16-29	BSOG October – March 2016 Grant Claim	Not applicable	25 May 2016					No report anticipated
16-30	Cycling Walking Safer Streets Grant Claim	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
16-31	Superconnected Cities Grant Claim	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
16-32	Childs Plan	Feb 2017						March 2017
16-33	European Social Fund	Nov 2016						February 2017
16-34	Tayside Contracts	Mar 2017						March 2017
16-35	Transformation	Mar 2017						March 2017
16-36	Corporate Governance	Mar 2017						March 2017
16-37	Universal Credit	Sep 2016						February 2017
16-38	Housing Technology Implementation Plan	Mar 2017						March 2017

^ Dates in bold are when reports have been considered by Audit Committee. Other dates are the current anticipated dates for consideration by Audit Committee where this differs from the originally anticipated date.

It is not anticipated that reports will be required to be issued for the certification of grant claims. Reports will only be issued where weaknesses in controls are identified which require action.



## Appendix C

### Progress With Assignments Not Included In The Internal Audit Plan for 2016/17

Ass No.	Assignment Description	State of progress	Draft Report issued	Final Report issued	Audit Committee Date
16-40	Bereavement Services	Completed	Not applicable	Not applicable	Not applicable
16-41	Housing & Community Care Internal Controls	Ongoing			
16-42	Housing & Community Care Repairs and Improvements Service	Completed	Not applicable	Not applicable	Not applicable
16-43	Whistleblowing – Staff Parking	Ongoing			
16-44	TES correspondence	Ongoing			
16-45	Whistleblowing – The Environment Service	Ongoing			
16-46	ECS advice	Completed	Not applicable	Not applicable	Not applicable
16-47	Whistleblowing – the Environment Service	Ongoing			

When additional work is undertaken during the year, a report will only be issued where the review highlights areas for improvement in the control environment or significant risks.

